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AUTHOR Fowler, Frances C.
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ABSTRACT

This paper presents findings of a study that analyzed participation patterns and the movement of students and state funds in Ohio during the 1993-94 school year, the first year during which Ohio's interdistrict open-enrollment law was fully implemented. The theoretical framework for the study was drawn from economics and business theories of markets and competition. Methodology included analysis of government records based on Ohio Department of Education data. The findings suggest that the "educational market" is an imperfect one in which it will be difficult to achieve meaningful competition in certain contexts. One of the major effects of Ohio's interdistrict open-enrollment policy was to move state funds away from school districts that served relatively larger percentages of poor and minority children. The study raises serious doubts about the potential for underfunded school-choice policies to bring about meaningful competition in large metropolitan areas. It also suggests that the most vulnerable districts under such choice policies may be small and medium-sized city districts that have higher percentages of poor and minority children than their neighbors. Meaningful competition and education improvement may, however, occur in rural areas. There is a need for longitudinal studies of school choice in a variety of contexts, similar to those that have been conducted in the United Kingdom. Ten tables are included. The appendix lists the government records used in the analysis. (Contains 28 references.) (LMI)

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Meaningful Competition? A Study of Student Movement Under Interdistrict Open Enrollment in Ohio

Frances C. Fowler
Miami University
Oxford, Ohio

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Introduction

For more than a decade, American public education has been pressured to restructure. One commonly recommended form of restructuring is the introduction of market competition into education through school choice. Advocates of such policies often claim that if schools have to compete for students (and funds), the result will be higher quality education. For example, in a typical discussion of the merits of market competition, Finn (1990) asserts:

> [A]ny principal or superintendent worth his or her salt will be influenced by the 'management information' yielded by marketplace preferences. . . .and will do something about the situation (p. 11).

Some scholars have responded to these rationales for choice by questioning the validity of applying the marketplace metaphor to education. (See, for example, Cookson, 1994; Henig, 1994; & Wells, 1993). Others have argued that competition between schools will not work as expected because of the characteristics of the existing system (Carnegie Foundation for the Advancement of Teaching, 1992; Fossey, 1994; Glenn, 1992; Pearson, 1993; Weeres, 1990; Willms & Echols, 1992; Woods, 1994). It is indeed important to reflect seriously on the appropriateness of the market model for education, but political leaders have not let philosophical considerations slow their choice agendas. In many states, including Ohio, interdistrict open enrollment policies have become law surrounded by the rhetoric of market competition (Fowler, 1994). It is also important, therefore, to study the responses of school districts and families to choice policies to see how the "education market" really functions. It is the purpose of this paper to analyze participation patterns and the movement of students and state funds in Ohio during the 1993-94 school year. This was the first year of full implementation of Ohio's interdistrict open

enrollment law. This analysis will be informed by theories of competition and competitive strategy drawn from economics and business. An attempt will be made to suggest to what extent the initial patterns of participation and movement in Ohio are consistent with the long range improvements in educational quality anticipated by the policymakers who supported the policy.

Theoretical Framework

The following theoretical framework is drawn from economics and business. The topics competition, industry structure, products, and responses to competitive forces will be briefly discussed. Each concept will also be applied to education, although most of the writers cited limit their discussions to firms in the private sector.

Competition

Choice advocates who are inspired by market models often seem to assume that public education currently is a pure monopoly in which no competition occurs. They also apparently assume that the introduction of the right kind of market reforms would lead to what economists call "perfect competition." A study of theories of competition, however, suggests a more complex view of both the current situation and the probable future under market reforms. "Perfect competition" can occur only if five conditions are met: (1) there must be numerous buyers and sellers of the product; (2) buyers and sellers must be free to both enter and leave the market; (3) all sellers' products must be identical; (4) buyers and sellers must have complete knowledge of the market; and (5) limitless amounts of the good must be available for sale and purchase (Beardshaw, 1989). Obviously, such conditions are never met in the real world. As the economist Beardshaw (1989) observes, "All markets are to a greater or lesser extent imperfect"

(p. 180). One form of imperfect competition is "pure monopoly," under which one seller totally dominates the market. It is by no means clear, however, that public education is currently a monopoly, especially in metropolitan areas. Fifty years of suburbanization have created a highly differentiated market for public services around most American cities (Weeres, 1987; Weeres, 1990; Weeres & Cooper, 1992). For the price of a house mortgage or a monthly rent payment, "customers" can purchase educational services. This type of situation is called "monopolistic competition." Although there are many "sellers" in such a market, the "products" are so distinct from each other that each appeals to only a segment of the market.

Industry Structure

According to theory, firms do not develop competitive strategy in a vacuum. Rather, "competition. . .is. . .strongly affected by the structures of the industry in which it takes place" (Easton, et al., p. 2). Education is a "fragmented industry." A fragmented structure is common in the service sector, especially if transportation costs are high, local image and control are important, barriers to exit are considerable, and government regulation is substantial (Porter, 1980). For school districts, then, the "competitive forces" which shape a market are mediated through a highly fragmented structure. This fact is especially important in respect to the "competitive force" having to do with suppliers. Often a firm can gain competitive advantage by negotiating better terms with its suppliers. However, in fragmented industries suppliers are in a very strong position. School districts have little leverage with the suppliers of their labor force and even less with the suppliers of their "raw materials," or students. In advancing their arguments for more competition in education, school choice advocates usually ignore the issue of suppliers and focus on other "competitive forces." For example, they recommend (1) lowering

entry barriers to the market (e.g., letting districts recruit students from outside their boundaries); (2) increasing the bargaining power of buyers (e.g., letting parents choose schools); or (3) putting substitutes on the market (e.g., home schooling). However, the fragmented structure of the education "industry" and the strong position in which fragmentation places suppliers may restrict the ability of school districts to respond competitively to the alteration of other forces.

Products

In business, competitive strategies often focus on altering the "product" to make it more appealing to consumers. Products have three dimensions according to the marketing literature. The "core product" is the basic benefit which the product offers purchasers. The basic benefits of education might be described as the opportunities to learn skills and knowledge as well as the official credentials offered by a school. The "formal product" consists of its visible and measurable features, including styling, quality, and brand name. In education the "formal product" includes such things as distinctive features of a school's program, its facilities, and quality indicators such as test scores and drop-out rates. The "augmented product" is intangible; a major component of the "augmented product" is a product's image or reputation. Schools and school districts have images, both negative and positive. A competitive strategy can involve modifying any dimension of the product.

Responses to Competitive Pressures

School choice advocates assume that competition is the only response in a market environment. However, economic theorists identify several possible responses, of which competition is only one. In a competitive situation, a firm's goal is not to compete. Rather, its goal "is to find a position in the industry where [it] can best defend itself against. . .competitive

forces or . . . influence them in its favor" (Porter, 1980, p. 4). Easton et al. (1993) identify five responses to competitive pressure. In addition to competition, they describe: (1) conflict (firms seek to destroy each other); (2) coexistence (firms act independently while ignoring each other); (3) cooperation (firms share information and other resources insofar as this is legal); and (4) collusion (firms cooperate, often illegally, to thwart consumer interests). Full-blown collusion leads to cartel formation. In a cartel, participating firms often divide up a market, usually geographically, agreeing not to "poach" in each other's territory (Telser, 1988). Under traditional methods of student assignment, school districts simply coexisted for the most part. Choice proponents assume that by altering the competitive forces in their environment, they will stimulate districts to compete, especially by improving the "formal" dimension of their "product." The theory of competition, however, suggests that other options will also be available in the "education marketplace."

Review of Relevant Interdistrict Choice Literature

This review has been limited in two ways. First, only empirical studies of interdistrict open enrollment have been included. Second, the discussion is limited to findings relevant to issues of patterns of district participation and to patterns of student movement.

Open enrollment legislation was passed in the United Kingdom in the early 1980s. Since the effects of the policy have been thoroughly studied, considerable knowledge has been gained about how open enrollment functions over time, at least in the British context. For example, in a longitudinal study conducted in Scotland, Willms and Echols (1992) found that chosen schools had both a significantly higher mean SES level and significantly higher examination scores than

assigned schools. School policies and teaching practices, however, did not play a significant role in whether or not a school was frequently chosen. Willms and Echols (1992) concluded that, although individual children probably benefited somewhat from transferring under open enrollment, the policy was detrimental to Scottish education as a whole. As they explained:

> Schools serving pupils in disadvantaged areas will be receiving incorrect signals: many of them will lose pupils to higher SES schools despite effective teaching practices. Some high SES schools will also receive incorrect signals. . . . (p. 347)

In another longitudinal Scottish study, Willms (1994) found that transfer requests were most common in urban areas. Moreover, the most frequently chosen schools tended to be older schools which had once been selective grammar schools; in the eyes of many parents they still had an aura of prestige about them. Finally, he presented evidence that over the time period covered by his study, segregation by social class had increased in Scottish schools.

In the PASCI Study, a longitudinal study of open enrollment in England, Woods (1994) found that there were three "core factors" influencing parental choice of a school. They were: (1) the school's reputation; (2) the school's examination results; and (3) the fact that some of the child's friends already attended the school. In addition, he concluded that parental choices were shaped both by their resources (such as cultural capital, wealth, and information) and by the environment within which they exercised choice. Rural parents, for example, chose within severe constraints.

Minnesota passed the first American open enrollment law in 1987; 12 other states followed suit within a few years. The Minnesota policy has been the subject of several research projects. In a series of studies carried out for the Minnesota Legislature, Urahn (1990, 1991)

identified trends which emerged in the early years of implementation. Both district and student participation were low at first. Only 22% of districts and 137 schools were involved during the first year. By the third year, however, 80% of districts and 3,218 students were participating. In the Twin Cities area, participation of students was disproportionately low. In part this was because Minneapolis is under a desegregation plan, so the transfer of white students was restricted. St. Paul, however, lost 201 students in 1989-90, the second largest enrollment loss in the state. In a survey of Minnesota parents, 40% mentioned "convenience" reasons for transferring and 20% cited academic reasons (Urahn, 1990). In the metropolitan areas of the state, gaining districts had the following characteristics when compared to losing districts: (1) a higher adjusted gross tax capacity per pupil; (2) higher per pupil expenditure; (3) higher pupil-teacher ratio; and (4) a lower percentage of minority enrollment. In nonurban areas, gaining districts, when compared to losing districts, had: (1) a higher adjusted gross tax capacity per pupil; (2) lower per pupil expenditure; (3) the same pupil-teacher ratio, and (4) a lower percentage of minority enrollment (Urahn, 1991).

In 1994, Funkhouser and Colopy published a report of their study of the impact of open enrollment on Minnesota districts, using 1990-91 data. They found that the districts which had gained substantial numbers of new students under open enrollment were all rural or suburban. They had a lower percentage of minority enrollment than did losing districts, but a higher percentage of students eligible for free or reduced lunches. District administrators perceived proximity issues as by far the most important reason for student transfers, followed at some distance by academics and "learning climate." The researchers concluded that their evidence in support of the idea that school choice will improve education was "mixed."

Massachusetts implemented an interdistrict open enrollment plan in 1991-92. Fossey (1994) analyzed patterns of participation and student movement during that year. He found that students tended to transfer into districts which had: (1) higher average incomes; (2) higher per pupil expenditure; (3) higher test scores; and (4) lower dropout rates. Perhaps because of the demographic characteristics of the Massachusetts context, Fossey did not include racial statistics in his analysis. Like Willms and Echols (1992) he suggested that the wrong signals were being sent to school district leaders by these patterns of student transfer. Moreover, he found that there had been virtually no movement of students in the metropolitan Boston area. Fossey observed that "no suburban town within convenient commuting distance of Boston participated in open enrollment" (p. 330).

Fowler (1995) surveyed Ohio superintendents about their participation in open enrollment during 1993-94, the first year of full implementation of that state's policy. She found that the districts which were most likely to participate by accepting transfers were small, rural districts which had low per pupil expenditure and had been losing enrollment. Suburban districts and districts with above average per pupil expenditure were the most unlikely to accept transfers. In 23% of the nonparticipating districts, the superintendents indicated in response to an open-ended question that political pressure from the community had been a major reason for the decision by school district leaders not to accept transfer students from outside.

In terms of theories of competition, the literature suggests that in the "education market," the "augmented product" (i.e., the image and social status of schools/districts) is at least as important as the "formal product" (school programs and quality indicators). Urban districts may be particularly vulnerable in a competitive arena because the student populations which they serve

tend to be "low status," consisting largely of members of racial minority groups and the lower socioeconomic classes. The literature also suggests that while some districts willingly enter into competition for students and funds, others prefer to remain on the sidelines if they can.

The Research Context

The State

Education policies are never implemented in a vacuum. The purpose of this section is to provide pertinent demographic information about Ohio and also to situate it demographically in comparison to Massachusetts and Minnesota.

Ohio is the easternmost Midwestern state. According to the 1990 U. S. census, it had a population of almost 11 million. Thirteen per cent of Ohioans belong to a racial minority (11% African-American, 1% Asian, and 1% Hispanic). This compares with 12% of Massachusetts residents (5% African-American, 5% Hispanic, and 2% Asian) and 6% of Minnesotans (2% African-American, 2% Asian, 1% Hispanic, and 1% Native American). Ohio's African-American citizens are concentrated in the urban areas of the state, especially in the Cleveland, Cincinnati, Dayton, and Columbus metropolitan areas. Hispanics are concentrated in several counties in the northeastern part of the state; Defiance, Sandusky, and Lorain counties are more than 5% Hispanic (Ohio: Fact Summary, 1995; Facts About Ohio, 1995; The Software Toolworks US Atlas MPC, 1992; The World Almanac and Book of Facts, 1993).

Ohio is a major manufacturing state, and 79% of its population lives in metropolitan areas. It has six cities with populations above 100,000 (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo). It also has 13 cities with populations between 50,000 and 100,000.

However, much of Ohio is rural and agricultural. Corn and soybeans are major crops in some portions of the state, and the Farm Bureau is a major force in Ohio politics. In contrast, Massachusetts is more heavily urbanized, with 91% of its population living in metropolitan areas. Agriculture is unimportant. Minnesota, on the other hand, is one of the top ten farm states in the U.S. Even so, 70% of its population lives in metropolitan areas, being concentrated in the Twin Cities and Duluth (Grolier Multimedia Encyclopedia, 1993; The Software Toolworks US Atlas MPC, 1992; The World Almanac and Book of Facts, 1993).

Ohio has 610 school districts. Most of them are small and rural. However, the large majority of the state's children attend school in urban areas since metropolitan districts tend to have considerably larger enrollments than rural ones. Ohio's local government is very fragmented, most urban districts are ringed by numerous suburban ones. The state has one of the most inequitable school finance systems in the nation. In 1991, the average expenditure per pupil was $4390, with a range from $2,882 to $25,535. Since the early 1990s a coalition of approximately 500 districts has been cooperating in a legal challenge of the constitutionality of this system (Crim, Maxwell, Baughman, & Overly, 1994).

The Policy

Inspired by Minnesota's example, in 1989 the Ohio General Assembly passed an Omnibus Education Reform Act which included three choice policies. One of these was interdistrict open enrollment. Politicians argued for the choice policies on the grounds that they would encourage greater accountability among the state's educators because from now on they would have to compete for students and state funds. Under the interdistrict open enrollment policy, students may transfer only to districts which are adjacent to their district of residence. No school district is

required to accept transfer students. However, districts cannot block transfers of their own students to another district. Transfer students bring with them the state basic aid amount plus or minus a cost of doing business factor. In 1993-94 this sum averaged $2900. The legislature did not appropriate any extra money to aid in the implementation of the policy or to permit students who might be unappealing as open enrollment transfers to bring larger amounts of money with them. This means that no extra funding has been available to help district leaders develop projects such as parent information programs or self-studies to analyze relative competitiveness. If district leaders decide to accept students from outside, they cannot discriminate on the basis of such criteria as disability, race, English proficiency, or academic talent. Under the law, every Ohio school board had to adopt a policy on open enrollment by July 1993, declaring itself "open" (willing to accept transfers) or "closed" (unwilling to accept them). However, the law required the Ohio Department of Education [ODE] to pilot the policy prior to the 1993-94 school year (Fowler, 1994, 1995).

The Pilot Program

The pilot program and its outcomes are important because they communicated the first "market signals" to Ohio's school leaders. The pilot program began in 1990-91 with three nonurban districts participating and 23 students transferring. In 1991-92, the number of participating districts increased to ten, with 115 students transferring. One small city district, Fostoria, participated as well as two districts in the Akron suburbs. By 1992-93, the year before full implementation, 49 districts and 595 students were involved. By this point the pilot districts included one large city (Akron) and one medium-sized one (Mansfield). The two districts which sustained the greatest net losses were both city districts: Akron (a net loss of 40 students) and

Fostoria (44 students). ODE research revealed that 97% of the transferring students were white. Moreover, all of the students who left Akron City Schools were white although 41% of its enrollment was African-American. In an ODE survey conducted in 1992-93, school leaders indicated that they thought most transfer requests were unrelated to academic quality. The most common reason given was "geographic proximity," followed at some distance by "previous tuition students now coming free," and "school environment" (FY 1990-91 Interdistrict Open Enrollment, n.d.; Interdistrict Open Enrollment, 1993; Open Enrollment Survey, n.d.).

Research Questions

Based on the theoretical framework, the literature review, and the research context, the following questions were developed about patterns of district participation and the movement of students and funds in Ohio during the 1993-94 school year:

1. To what extent did Ohio districts participate in open enrollment by accepting transfer students from outside?

2. In what ways, if any, did levels of district participation in open enrollment differ in heavily urbanized, moderately urbanized, and relatively nonurbanized areas?

3. How did districts which experienced substantial net gains of students and money differ from districts which experienced substantial net losses in terms of these demographics: enrollment size, test scores, dropout rates, percentage of college preparatory graduates, per pupil expenditure, average income in the district, average per pupil property valuation, percentage of students receiving AFDC, percentage of African-American students, percentage of Hispanic students, and overall percentage of minority students?

4. In what ways, if any, did these patterns differ in heavily urbanized, moderately urbanized, and relatively unurbanized areas?

Methods and Procedures

This study was based on a secondary analysis of government records which were based on data gathered by the Ohio Department of Education [ODE]. Secondary research is widely used in the social sciences because using existing records can save both time and money. It is especially appropriate for early investigations of a subject. Preliminary analyses of existing records can permit the researcher to gain an overview of a phenomenon and develop hypotheses and questions for future studies (Stewart & Kamins, 1993).

According to Stewart and Kamins (1993) and also Johnson and Joslyn (1986), researchers who use existing written records for their data should assess them in relationship to several criteria. The discussion of the records which follows conforms to their standards of evaluation. All of the records used for this research project were produced by and obtained from the ODE. (See the Appendix for a complete list.) For the most part they are part of the "running record" (Johnson & Joslyn, 1986) developed by the ODE as it wrote the regulations which amplified on the open enrollment legislation, implemented a pilot interdistrict open enrollment program in 1990, and fully implemented the program in the fall of 1993. The only exception is the Ohio Educational Directory [Directory], a handbook which is published annually for the use of educators throughout the state. For the most part, the documents are photocopied reports or computer printouts. They included one computer disk. Data for the running record were gathered both by the ODE and by individual Ohio school districts. The demographic data on

school districts which is included in this study derives from annual reports submitted by district superintendents to the ODE. Since 1991 these data have been submitted via a statewide computer network system. One problem encountered by the researcher was that the various reports were not organized in parallel fashion. For example, the Open Enrollment Revision Report [Revision Report] presented Ohio's 610 districts in alphabetical order; the Open Enrollment Payment Report [Payment Report] presented them by county; and the Directory grouped them according to their legal status (i. e., city, exempted village, or local). There were also some inconsistencies. School Districts That Have Adopted Interdistrict Open Enrollment, for instance, included considerably fewer "open" districts than did the Revision Report and the Payment Report. The latter reports, however, agreed completely. Because they were consistent and because they had been used to transfer funds from the state to local districts, the researcher considered them especially reliable. She depended heavily on them in developing the statistical portions of the study and in verifying material in other records.

In order to answer the research questions, the researcher used the Directory, Payment Report, and Revision Report to determine how many districts were in the state, which districts received transfer students and how many transfers were accepted. Means were calculated for the numbers of transfers. Next, the districts were divided into four categories: (1) districts located in the six counties containing the six largest cities in the state; (2) districts located in counties adjacent to those six counties; (3) districts located in counties where a medium-sized city were located; and (4) all other districts. In instances where a medium-sized city was located in the same county as a large city, it was included in the first category. Similarly, in instances where a medium-sized city was located in a county adjacent to one of the six large urban counties, it was

included in the second category. Only districts located in counties which neither included a large city nor bordered on a county which included one were placed in category 3. For each category, the Directory, Payment Report, and Revision Report were used to determine how many districts received transfer students and how many transfers were accepted. Means were calculated. The results were displayed in a table.

Next, the Payment Report and Revision Report were used to identify the 25 districts which gained the most state money through open enrollment and the 25 which lost the most. Demographic data about these districts were transferred from a computer diskette and printout which contained the ODE's statistical reports for the fiscal year 1994. Next, these data were entered into a computerized statistical program, SPSS (1993). Using this program, means were calculated for the group of gainers and the group of losers. In order to determine whether or not the differences were statistically significant, a t-test for independent samples was applied to the data, using SPSS (1993). The results were displayed in three tables.

Finally, the Payment Report and Revision Report were used to identify every instance in which a district suffered a net loss of 20 or more students to a single adjacent district. The number 20 was used in order to permit comparison to Fossey's (1994) study in Massachusetts. The members of each of the 50 pairs thus identified were compared on each demographic variable included in research question 3, using a +, -, and = system. Then, for the total group, the percentage of +'s, -'s, and ='s was determined for each variable. The results were displayed in a table. Finally, each pair was assigned to one of the four categories described above. In two cases, the districts were located in counties which were in different categories. These pairs were eliminated, leaving 48 pairs. For the pairs in each category, the same +, -, and = analysis was

conducted for each demographic variable in research question 3. The results were displayed in four tables.

Findings

This study showed that slightly less than half of Ohio districts, or 44.35%, participated in open enrollment in the 1993-94 school year by accepting at least one transfer student. In all, 7012.16 students changed districts under the policy. This means that the average number of transfer students accepted by participating districts was 25.88. All participation figures are summarized in Table 1.

When the districts were disaggregated on the basis of their level of urbanization, interesting differences emerged. A total of 110 districts were located in the six counties where Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo are found. Of these, only 11--or 10%--accepted transfer students under open enrollment. Moreover, seven of these were in Summit County, the Akron metropolitan area. In the other five major urban areas, three patterns of response (or nonresponse) to the policy were apparent. In metropolitan Cincinnati, Cleveland, and Columbus, none of the large city districts accepted students; and suburban participation was nonexistent or minimal. Toledo accepted 28.02 students under interdistrict open enrollment, but none of the suburban districts in Lucas County accepted transfers. In Montgomery County, Dayton lost a large number of students to Trotwood-Madison, the only participating district in the county.

The moderately urbanized districts--the 236 districts located either in counties adjacent to large urban counties or in counties containing a medium-sized city--participated at similar levels.

These were 33.52% and 35.00% respectively. The highest level of participation occurred among the 265 counties districts found in the relatively unurbanized parts of the state. More than two-thirds of them, or 67.92%, accepted transfer students under interdistrict open enrollment.

The 25 districts which gained the most state funds under interdistrict open enrollment and the 25 which lost the most were compared. These districts and the amount they gained or lost are listed in Tables 2 and 3. They were compared in relation to 11 variables. The districts which gained a great deal differed considerably from the ones which lost. Three differences reached statistical significance. Gaining districts had significantly lower enrollments, a significantly lower percentage of African-American students, and a significantly lower percentage of minority students overall. Several differences did not reach statistical significance, but were rather large. Gaining districts had a higher percentage of students who had passed the state proficiency test by the second time they took it, a lower dropout rate, and a lower percentage of students on AFDC. The districts in which they were located had higher average incomes but lower per pupil property valuations. All findings appear in Table 4.

Fifty pairs of districts were identified in which one district lost twenty or more students to a single adjacent district. They are listed in Table 5. The direction of these large transfers was determined in relationship to the 11 variables. These are summarized in Table 6. Several trends were especially strong. In 86% of the cases, districts lost 20 or more students to a district with lower enrollment. In 76% of the cases, large transfers were to districts with a lower percentage of AFDC students. In 74% of the cases, large transfers were to districts with a higher percentage of students passing the state proficiency tests and a lower percentage of African-American students.

When the 50 pairs were disaggregated on the basis of level of urbanization, some interesting differences emerged, as shown in Tables 7, 8, 9, and 10. The most important difference is that in urbanized areas, the tendency for transfers to be made to smaller districts with fewer poor and minority children was quite pronounced. In the relatively unurbanized areas of the state, this trend was less pronounced although it appeared there also. These findings should be interpreted cautiously because of the low number of N's in each urbanized category.

Discussion

This discussion will focus on three issues raised by the findings of this study. These issues are: the importance of context in the response to Ohio's interdistrict open enrollment, the plausibility of claims that school choice will improve education in large urban areas, and the importance of the racial composition of the school districts

In her book, Myths of Choice, Judith Pearson (1993) writes:

> The impacts of choice in an urban or inner city setting are significantly different from the impacts of choice in a rural or small town setting. . . .It would be helpful if the national debate would distinguish between the two. (p. 13)

The findings of this study support her observation. This study suggests that interdistrict open enrollment policies structured like that adopted by the Ohio General Assembly do indeed have differential impacts, depending on the context in which they are implemented. Three different types of impact can be distinguished in Ohio.

In the four largest metropolitan areas of the state, the policy had no impact at all in 1993-94. Cincinnati, Cleveland, Columbus, and Toledo--as well as their surrounding suburban districts-

-were, in essence, able to avoid implementing it. Fossey (1994) described a similar phenomenon in the Boston metropolitan area. How can such a thing happen? In the researcher's conversations with ODE employees, the latter voiced suspicions that in the large urban areas, district leaders had colluded in order to avoid competing with each other. Such a response would be consistent with the theories of competition developed by economists. After all, a firm's major goal is not to compete, but rather "to find a position in the industry where [it] can best defend itself against. . .competitive forces or. . . influence them in its favor" (Porter, 1980, p. 4). When firms believe that they cannot compete effectively in an arena, they will seek other alternatives. One possibility is the formation of a cartel, a solution which is especially likely in highly differentiated markets. As Weeres (1987) points out, a differentiated market for public services, including education, has existed in the suburbs which surround big American cities for some time. In Ohio's four largest urban areas, therefore, school district leaders seem to have moved this market one step farther, by forming educational cartels. The evidence suggests that they have divided up their "markets" on the basis of product differentiation and geography. The Dayton metropolitan area may represent a failed attempt at an educational cartel. Only one district in Montgomery County accepted students under interdistrict transfer.[1] It does not, however, necessarily represent an important exception to the trend elsewhere. That district--Trotwood-Madison--is itself exceptional among suburban districts in that it has a slightly higher percentage of African-American students than does Dayton City Schools. In fact, it is possible that Trotwood-Madison should be considered the most "urban" district in Montgomery County, rather than Dayton. Further research might illuminate this issue. Only the Akron metropolitan area either did not attempt or was unable to achieve a cartel. This study does not suggest any reasons for the different reaction to the policy in

the Akron area.

Akron, however, was the only large urban district which participated in the pilot study. The results of the ODE's reports on student transfers in the Akron area were probably among the "market signals" which convinced other large urban districts that competition would be an unwise course of action. The signals sent by patterns of student movement across the state during the 1993-94 school year will surely reinforce that message. This study suggests that in Ohio, as in the United Kingdom and Massachusetts, the "augmented" educational product is at least as important as the "core" and "formal" products in appealing to "customers." In other words, parents seem to choose school districts on the basis of their social status as well as (and perhaps instead of) the quality of their academic programs. In Ohio this meant that parents tended to choose districts with lower percentages of minority students, especially African-Americans; lower percentages of students on AFDC; and higher average district incomes. It must not be forgotten that they also chose districts with higher percentages of students passing the state proficiency test by the second time they took it. However, the linkage between scores on standardized tests and socioeconomic class is well documented. Well informed school leaders would be unlikely to isolate test scores from the demographics of the student population as they interpret the market signals. Instead, urban school leaders who scan the ODE reports would be likely to conclude that parent choices are based to a large extent on demographic variables which are beyond their control, particularly the size of their enrollment and the racial and class composition of their student population. As a result, they would probably seek ways to minimize competition.

The formation of education cartels in metropolitan areas requires the cooperation of the suburban districts, however. The literature suggests a reason for such cooperation on their part.

Fowler (1995) found that many suburban superintendents in Ohio had decided not to participate in open enrollment because of political pressure from their communities. After all, suburbs were established in large part to permit people to escape the big cities and their problems. Therefore, the big city districts and their suburbs might well discover a community of interest in avoiding the implementation of interdistrict open enrollment. One possible outcome--and the apparent outcome in Ohio--would be cartel formation.

Discussions of interdistrict open enrollment often focus on its probable impact on large urban districts. However, this study suggests that the most vulnerable urban districts are not the large ones, but rather those which are located in small (under 50,000) and medium-sized (50,000-100,000) cities. There is some evidence of cartelization in the moderately urbanized parts of Ohio. However, many small and medium-sized city districts experienced substantial losses; in fact, they figure prominently among the 25 major financial losers. One can hypothesize that in these areas, the "market of public services" is not yet highly differentiated. Also, urban problems may not yet be at a crisis stage. As a result, such cities may not be able to persuade adjacent districts to form a cartel. They are therefore forced to compete with their suburbs. It is, of course, possible that after losing considerable funding in the first year of implementation, they will decide to make changes in their programs to attract more parents and to retain the ones they have. It is possible that they will be successful in these endeavors. It is also possible, however, that like the leaders of the large urban districts they will conclude that since they cannot control their "supply" of residential students, they cannot compete effectively with their suburbs. Future research needs to be carried out in order to clarify which courses of action such districts decide to pursue and why.

Although Pearson (1993) believed that interdistrict open enrollment was especially hard on small rural districts in Minnesota, Ohio's rural areas accepted the new policy rather well. Moreover, although some rural districts appear on the list of major financial losers, by and large the financial impact of open enrollment was less extreme in rural Ohio than in the more urbanized areas. Student transfers were rather balanced, and for most districts things evened out. Theoretically, this is probably because the educational "product" is less differentiated in rural areas. Since the rural population is relatively homogeneous, in terms of both race and class, parents probably do not perceive marked distinctions between the "images" of area schools. Where the "augmented" product is relatively unimportant, the market is less imperfect, and school leaders are apparently more willing to participate in it.

Ironically, many of the supporters of school choice have based their arguments on the importance of improving the quality of education in America's urban areas. Their argument is twofold. Improvement will allegedly occur at the collective level because of increased competition for school funds. It will allegedly occur at the individual level when urban families can choose better private or suburban schools for their children. Yet this study raises serious questions about the potential of school choice policies similar to Ohio's to achieve this policy goal. The arguments of choice supporters are often based on numerous assumptions about the behavior of school leaders, the behavior of parents, the behavior of state legislatures in the 1990s, and the nature of markets. For the most part, they are not based on research or even on a thoughtful understanding of the market whose metaphors they freely borrow. Conceivably, choice policies could be designed which would have a chance of improving urban schools. Choice supporters as philosophically different as Chubb and Moe (1990) and Glenn (1992) have made it clear that

responsible choice policies must include several components. First among these are financial incentives to encourage suburban, private, or parochial schools to accept urban transfer students in the first place. Other important components include sufficient funding to provide reliable information to parents and improved transportation for pupils. This means that well constructed, responsible school choice plans are likely to cost more than the traditional method of student assignment. Yet a "low tax" mentality permeates today's policy environment. As far as this researcher knows, no one has yet explained what political strategies can be successfully used to pressure contemporary state legislatures to adopt expensive choice policies.

But when "cheap choice" plans are passed which include no financial incentives for more "prestigious" schools or districts to accept difficult (and costly) students, one can anticipate that suburban and private schools will be reluctant to accept them. And when "cheap choice" plans are passed which do not include additional funding to permit districts to develop realistic competitive strategies, one can anticipate that vulnerable districts will seek ways to avoid competition. In short, one can anticipate outcomes similar to those in most of Ohio's large urban areas and in Metropolitan Boston. Poorly designed, "cheap choice" policies probably will not be fully implemented in large urban areas. Even if participation were made obligatory, it would be easy for the more "prestigious" schools to find ways to refuse undesirable students. It would also be easy for large urban districts to quietly discourage student transfers. "Cheap choice" seems to have little potential for bringing about meaningful educational improvement in major metropolitan areas.

Finally, the most troubling finding of this study must be discussed. Only three differences between the 25 biggest gainers of state funding and the 25 biggest losers were statistically

significant. Two of the three had to do with race. The analysis of transfers to 20 or more students to a single adjacent district suggested that race was especially important in urban areas However, it also emerged as an important factor even in small towns and rural regions. The presence of a relatively higher percentage of African-American students in a district was especially crucial. Even when the percentage was low, districts appeared to be likely to lose students to adjacent districts with even lower percentages. Moreover, in some parts of the state, the presence of numerous Hispanic students also seemed to play a major role. When one adds to these findings the fact that districts with large percentages of children on AFDC were also disproportionately represented among the 25 biggest losers, an extremely troubling picture emerges. To put it bluntly, one of the major effects of Ohio's interdistrict open enrollment policy in 1993-94 was to move state funds away from districts which serve relatively larger percentages of poor and minority children. It is, of course, possible that this trend will be reversed during the first few years that the policy is in effect. Perhaps those districts which lost students during the first year will become more competitive, attracting students from outside. But what if one of the things which parents seek in a school district is a more racially homogeneous educational setting for their children? In his 1994 book, Henig refers to "the purging of race from the public dialogue about educational reform" (p. 115). This study suggests that perhaps it is time to return race to the educational policy agenda when school choice policies are under discussion.

Conclusion

This study looked at patterns of participation and student movement under Ohio's interdistrict open enrollment policy from the perspective of theories of competition. The behavior

of both students and districts was consistent with the theories. However, this study suggests that the "educational market" is an imperfect one in which it will be difficult to achieve meaningful competition in certain contexts. This study raises serious doubts about the potential for under funded school choice policies to bring about meaningful competition in large metropolitan areas. It also suggests that the most vulnerable districts under such choice policies may be small and medium-sized city districts which have higher percentages of poor and minority children than their neighbors. Meaningful competition and education improvement may, however, occur in rural areas. There is a need for longitudinal studies of school choice in a variety of contexts, similar to those which have been carried out in the United Kingdom.

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Endnote

1. Data issued by the ODE in the fall of 1995 indicate that in all five of these metropolitan areas, "cartelization" continued in the second year of full implementation of the policy.

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Table 1

Participation* in Interdistrict Open Enrollment in Ohio, 1993-1994

Region	Percentage of Districts Participating	Number of Students Transferred	Mean Number of Students Received (All Districts in Region)	Mean Number of Students Received (Participating Districts Only)
All Ohio	44.35%	7012.16	11.48	25.88
Large Urban Counties	10.00%	588.15	5.35	53.47
Counties Adjacent to Large Urban Counties	33.52%	1582.86	9.04	23.98
Counties Containing Medium Sized Cities	35.00%	702.94	11.91	33.47
Nonurban Counties	67.92%	4138.21	15.62	22.99

*Participation is defined as receiving at least one transfer student through interdistrict open enrollment in 1993-94.

Table 2

Twenty-five Ohio Districts Which Gained the Most State Funding Under Interdistrict Open Enrollment, 1993-1994

District	Amount Gained*
Coventry LSD**	$650,789
Clearview LSD (Lorain)***	$635,642
Madison LSD (Richland)	$358,232
Northeastern LSD (Clark)	$335,826
Steubenville CSD	$331,398
Trotwood-Madison CSD	$328,375
Springfield LSD (Summit)	$255,275
Ridgedale LSD	$247,941
Lowellville LSD	$233,182
Perry LSD	$231,128
Springfield LSD (Clark)	$228,217
Crooksville EVSD	$211,229
Amherst EVSD	$171,811
Old Fort LSD	$153,683
Ayersville LSD	$148,748
Scioto Valley LSD	$148,154
Hopewell-Loudon LSD	$136,426

Pettisville LSD	$133,245
Cardinal LSD	$132,926
Fairfield Union LSD	$126,497
Mt. Vernon CSD	$121,478
Tuslaw LSD	$119,368
Arcadia LSD	$113,960
Bethel LSD	$110,408
Clay LSD	$108,096

*Amounts are rounded to the nearest whole dollar.

**CSD=City School District; EVSD=Exempted Village School District; LSD=Local School District

***The name of the county is given in cases where two or more Ohio districts have the same name.

Table 3

Twenty-five Ohio Districts Which Lost the Most State Funding Under Interdistrict Open Enrollment, 1993-1994

District	Amount Lost*
Akron CSD**	$892,162
Lorain CSD	$692,700
Springfield CSD	$544,217
Dayton CSD	$317,101
Mansfield CSD	$317,483
Indian Creek LSD	$289,061
Youngstown CSD	$218,139
Portsmouth CSD	$213,903
Marion CSD	$193,076
Morgan LSD	$192,634
Sidney CSD	$187,424
Greenville CSD	$176,015
Fostoria CSD	$161,113
Gallia County LSD	$146,404
Barberton CSD	$141,762
Canton CSD	$137,149
Edison LSD	$129,931

Elyria CSD	$118,057
Lakota LSD (Sandusky)***	$112,764
Lancaster CSD	$106,308
Jackson LSD	$104,640
Zanesville CSD	$104,470
River Valley LSD	$103,331
Ashtabula Area CSD	$98,533
Vinton County LSD	$97,671

*Amounts are rounded to the nearest whole dollar.

**CSD=City School District; EVSD=Exempted Village School District; LSD=Local School District

***County names are given only if two or more Ohio districts have the same name.

Table 4

Comparison of the 25 Ohio Districts Which Gained the Most State Funding to the 25 Ohio Districts Which Lost the Most

Variable	Mean for Gaining Districts	Mean for Losing Districts
Enrollment	1910.00	7743.72*
Students passing state test second time	42.60%	28.16%
College prep graduates	43.78%	43.36%
Dropout rate	1.65	2.83
Per pupil expenditure	$4523.08	$4729.92
Per pupil property valuation	$58,370.36	$75,262.8
Average district income	$25,891.80	$24,697.72
Students on AFDC	10.61%	22.85%
African-American students	5.23%	15.42%**
Hispanic students	1.91%	2.12%
Total minority students***	7.55%	18.05%**

*Statistically significant at the .01 level.

**Statistically significant at the .05 level.

***Includes African-American, Hispanic, Asian, and Native American students.

Table 5
Sending and Receiving Districts Involving a Net Total Transfer of 20 or More Students
(N=50)

Akron CSD* to Barberton CSD

Akron CSD to Coventry LSD

Akron CSD to Springfield LSD (Summit Co.)**

Alliance CSD to West Branch LSD

Ashtabula Area CSD to Geneva Area CSD

Barberton CSD to Coventry LSD

Barberton CSD to Norton CSD

Bellaire CSD to Shadyside LSD

Bloomfield-Mespo LSD to Cardinal LSD

Canton CSD to Perry LSD (Stark Co.)

Dayton CSD to Trotwood-Madison CSD

Defiance CSD to Ayersville LSD

Delaware CSD to Buckeye Valley LSD

East Knox LSD to Mt. Vernon CSD

Eastern LSD (Meigs Co.) to Meigs LSD

Edison LSD to Steubenville CSD

Fostoria CSD to Arcadia LSD

Fostoria CSD to Hopewell-Loudon LSD

Franklin LSD to Crooksville EVSD

Fremont CSD to Old Fort LSD

Gallia LSD to Gallipolis CSD

Hardin-Houston LSD to Russia LSD

Huber Heights CSD to Bethel LSD

Indian Creek LSD to Steubenville CSD

Lakota LSD (Sandusky Co.) to Bettsville LSD

Lancaster CSD to Fairfield Union LSD

Lorain CSD to Amherst EVSD

Lorain CSD to Clearview LSD

Mansfield CSD to Madison LSD (Richland Co.)

Marion CSD to Elgin LSD

Marion CSD to Ridgedale LSD

Massillon CSD to Tuslaw LSD

Mechanicsburg EVSD to Urbana CSD

Miami East LSD to Troy CSD

Morgan LSD to Crooksville EVSD

Perry LSD to Massillon CSD

Portsmouth CSD to Clay LSD

Portsmouth CSD to New Boston LSD

River Valley LSD to Marion CSD

Rolling Hills LSD to Cambridge CSD

Sidney CSD to Fairlawn LSD

Southern LSD (Columbiana Co.) to Lisbon EVSD

Springfield CSD to Northeastern LSD (Clark Co.)

Springfield CSD to Springfield LSD (Clark Co.)

Springfield LSD (Summit Co.) to Mogadore LSD

Van Wert CSD to Crestview LSD (Van Wert Co.)

Vinton LSD to Scioto Valley LSD

Wauseon EVSD to Pettisville LSD

Youngstown CSD to Lowellville LSD

Zanesville CSD to Franklin LSD

*CSD=City School District; LSD=Local School District; EVSD=Exempted Village School District

**The county in which a district is located is given only when there are two or more districts in Ohio with the same name.

Table 6

Demographic Direction of Net Transfers of 20 or More Students from One District to Another--All Ohio (N=50)

Net transfers to districts with. . .	**Percentage of net transfers**
Smaller total enrollment	86%
Lower percentage of AFDC students	76%
Lower percentage of minority* students	76%
Higher percentage of students passing state test second time	74%
Lower percentage of African-American students	74%
Lower dropout rate	66%
Lower percentage of Hispanic students	64%
Higher mean income in district	60%
Higher percentage of college prep graduates	56%
Lower per pupil expenditure	56%
Lower per pupil property value	56%

*Includes African-American, Asian, Hispanic, and Native American students

Table 7

Demographic Direction of Net Transfers of 20 or More Students from One District to Another--Districts in Large Urban Counties (N=7)

Net transfers to districts with. . .	**Percentage of net transfers**
Smaller total enrollment	100%
Higher percentage of students passing state test second time	100%
Lower percentage of AFDC students	100%
Lower percentage of African-American students	86%
Lower percentage of minority students*	86%
Lower dropout rate	86%
Higher percentage college prep graduates	71%
Higher average income	71%
Higher per pupil expenditure	71%
Lower percentage of Hispanic students	71%
Higher per pupil property value	57%

*Includes African-American, Asian, Hispanic, and Native American students.

Table 8

Demographic Direction of Net Transfers of 20 or More Students from One District to Another--Districts Adjacent to Large Urban Counties (N=9)

Net transfers to districts with. . .	**Percentage of net transfers**
Lower dropout rate	89%
Lower percentage of AFDC students	89%
Lower percentage of African-American students	89%
Lower percentage of Hispanic students	89%
Smaller total enrollment	78%
Lower per pupil expenditure	78%
Lower percentage of minority* students	78%
Higher percentage of students passing state test second time	67%
Higher average income	67%
Higher percentage of college prep graduates	56%
Higher per pupil property value	56%

*Includes African-American, Asian, Hispanic, and Native American students.

Table 9

Demographic Direction of Net Transfers of 20 or More Students from One District to Another--Districts Located in Counties Containing a Medium-Sized City (N=6)

Net transfers to districts with. . .	**Percentage of net transfers**
Smaller total enrollment	100%
Higher percentage of students passing state test second time	83%
Lower per pupil expenditure	83%
Lower percentage of AFDC students	83%
Lower percentage of African-American students	83%
Lower percentage of Hispanic students	83%
Lower percentage of minority* students	83%
Higher average income	67%
Lower dropout rate	67%
Lower per pupil property rate	67%
Higher percentage of college prep graduates	50%

*Includes African-American, Asian, Hispanic, and Native American students.

Table 10

Demographic Direction of Net Transfers of 20 or More Students from One District to Another--Districts Located in Nonurban Counties (N=26)

Net transfers to districts with. . .	**Percentage of net transfers**
Smaller total enrollment	81%
Higher percentage of students passing state test second time	69%
Lower percentage of African-American students	65%
Lower percentage of minority* students	65%
Lower percentage of AFDC students	62%
Lower per pupil property value	58%
Higher percentage college prep graduates	54%
Higher average income	54%
Lower percentage of Hispanic students	54%
Lower dropout rate	54%
Higher per pupil expenditure	50%

*Includes African-American, Asian, Hispanic, and Native American students.

Appendix

Government Records Used*

A Report on Interdistrict and Intradistrict Open Enrollment in Ohio. (July 1991)

ASCII.RAW. [Computer diskette containing selected information for Ohio school districts, FY 87-92]

Interdistrict Open Enrollment. (February 1993)

Interdistrict Open Enrollment School District Participation.

Interdistrict Open Enrollment Summary, School Year 1992-1993.

Ohio Educational Directory: 1994-1995 School Year.

Open Enrollment Payment Report: For Fiscal Year 1994.

Open Enrollment Revision Report: School Year 1993-1994.

School Districts That Have Adopted Interdistrict Open Enrollment.

Selected Information for Ohio Public School Districts, FY 92.

3301-48-02 Interdistrict Open Enrollment Programs. [Stamped June 1990]

*All records were obtained from the Ohio Department of Education in Columbus, Ohio.